

## Message Text

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ACTION OPIC-12

INFO OCT-01 ARA-16 ISO-00 EB-11 L-03 COME-00 TRSE-00 /043 W

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R 142231Z AUG 74

FM AMEMBASSY SANTIAGO

TO SECSTATE WASHDC 9835

C O N F I D E N T I A L SANTIAGO 4884

PASS OPIC

E.O. 11652: GDS

TAGS: EMIN, CI

SUBJECT: COPPER COMPENSATION - EXOTICA

REF: STATE 175059

1. SUMMARY: AMBASSADOR TOOK ADVANTAGE OF GENERAL CONVERSATION ON COPPER NEGOTIATIONS WITH JULIO PHILIPPI TO DRAW HIM OUT ON STATUS EXOTICA CASE. PHILIPPI TOOK POSITION THAT OPIC'S CLAIM FOR ANYTHING MORE THAN \$11.25 MILLION PAID BY OPIC TO ANACONDA WAS UNREASONABLE AND SAID HE DID NOT INTEND TAKE INITIATIVE TO REOPEN NEW TALKS. EMBASSY RECOMMENDS OPIC CONSIDER APPROACHING PHILIPPI AGAIN TO DETERMINE WHETHER DIFFERENCE IN BOTTOM-LINE FIGURE CAN BE NARROWED FURTHER, BEFORE USG GOES OVER PHILIPPI'S HEAD TO RAUL SAEZ AND JUNTA ON THIS MATTER. END SUMMARY

2. AMBASSADOR AND ECONOMIC COUNSELOR CALLED ON GOC COPPER NEGOTIATOR JULIP PHILIPPI AUGUST 13 FOR GENERAL DISCUSSION ON COPPER NEGOTIATIONS. AFTER CONGRATULATING PHILIPPI ON ANACONDA SETTLEMENT AND ASKING ABOUT STATUS OF KENNECOTT TALKS (HE SAID HE WAS WAITING FOR MICHAELSON TO SET DATE FOR NEXT ROUND OF MEETINGS), CONVERSATION FLOWED NATURALLY TO SUBJECT OF EXOTICA.

3. PHILIPPI VOLUNTEERED THAT HE CONSIDERED LAST ROUND OF TALKS IN WASHINGTON, WHEN HIS COMPENSATION OFFER OF \$11.25 MILLION WAS FLATLY REJECTED (IN HIS VIEW), AS PLACING THE MATTER IN SUSPENSE UNTIL OPIC REOPENS IT. PHILIPPI RECITED FAMILIAR ARGUMENT ABOUT WHY DETERMINATION HAD TO BE MADE  
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ON BASIS DECLARED BOOK VALUE ONLY AND WHY

GOC CONSIDERS

IT IMPROPER FOR OPIC TO SEEK MORE COMPENSATION THAN IT HAD PAID ANACONDA. WE COMMENTED THAT WE WERE UNABLE TO JUDGE LEGAL MERITS OF ARGUMENTS BUT DID THINK IT IMPORTANT TO RESOLVE EXOTICA CLAIM QUICKLY. WHEN ASKED IF HE PLANNED GO TO WASHINGTON ANY TIME SOON TO TALK TO OPIC, PHILIPPI SAID DEFINITELY NOT AND LEFT IMPRESSION HE CONSIDERED BALL IN OPIC'S COURT. GOC, PHILIPPI SAID, WAS WILLING TO MAKE SOME CONCESSIONS TO OPIC SUCH AS PAYMENT INTEREST AT 6 PERCENT ON BOOK VALUE JANUARY 1, 1971, THROUGH SEPTEMBER 1972, AND TO ELIMINATE MOST DEDUCTIONS FROM BOOK VALUE MADE BY COPPER TRIBUNAL, BUT WOULD NOT ACCEPT IDEA OF "GOING MARKET VALUE". PHILIPPI CLAIMED OPIC ERRED IN PAYING ANACONDA \$600,000 FOR "LOST PROFIT".

4. AT THIS POINT, WE ASKED PHILIPPI HOW MUCH DIFFERENCE THERE WAS IN BOTTOM-LINE FIGURE BETWEEN GOC OFFER AND OPIC CLAIM. PHILIPPI SAID HE DIDN'T KNOW. WE THEN SPECULATED THAT IF THIS POINT WERE CLARIFIED PERHAPS METHOD COULD BE FOUND TO BREACH DIFFERENCE, LEAVING TO EACH SIDE INTERPRETATION OF PRINCIPLES INVOLVED IN REACHING SETTLEMENT - ESSENTIALLY PROCEDURE USED IN ANACONDA NEGOTIATIONS. PHILIPPI SEEMED TO ACCEPT THIS AS POSSIBILITY BUT GAVE NO INDICATION HE WAS PREPARED INITIATE NEW TALKS.

5. RECOMMENDED ACTION: WE AGREE WITH DEPT THAT USG MUST MAKE NEXT MOVE TO GET NEGOTIATIONS OFF DEAD CENTER. WE SUGGEST OPIC CONSIDER APPROACHING PHILIPPI TO DETERMINE WHETHER VISIT BY OPIC NEGOTIATOR TO SANTIAGO WOULD SERVE ANY USEFUL PURPOSE. OPIC MIGHT REITERATE ITS WILLINGNESS TO DISCUSS SEVERAL POSSIBLE BASES FOR CALCULATING APPROPRIATE COMPENSATION IN ORDER TO REACH MUTUALLY SATISFACTORY SOLUTION. ONLY IF THIS FAILS DO WE BELIEVE FORMAL REPRESENTATION SHOULD BE MADE. FORMAL REPRESENTATION WOULD PLACE MATTER IN HANDS OF RAUL SAEZ (WHO WILL NOT BE AVAILABLE DURING NEXT THREE WEEKS). JUNTA APPROVAL WOULD UNDOUBTEDLY BE NEEDED FOR MAJOR SHIFT IN GOC POSITION. IN OUR VIEW PROPER TIMING FOR THIS WOULD BE WHEN BOTTOM-LINE FIGURE HAS BEEN NARROWED AS MUCH AS POSSIBLE. APPARENTLY PHILIPPI FEELS THIS POINT HAS NOT YET BEEN REACHED.

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6. EMBASSY WOULD WELCOME OPIC AND DEPARTMENT COMMENT.  
POPPER

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NNN

## Message Attributes

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